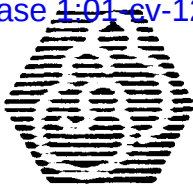


EXHIBIT 75



Robert W. Wright
Director

Illinois Department of Public Aid

Prescott E. Bloom Building
201 South Grand Avenue East
Springfield, Illinois 62763-0001

TELEFAX COVER SHEET

DATE

October 4, 1995

TO

Robert Coolidge

South Dakota Medicaid

FROM **MARVIN L. HAZELWOOD, Manager**
Pharmacy and Ancillary Service Programs
Bureau of Comprehensive Health Services

4 PAGE(S) TO FOLLOW



URGENT

COMMENTS

AWP vs cost survey

If there are any problems, PLEASE contact
the Bureau of Comprehensive Health Services
TELEFAX # (217) 524-7194

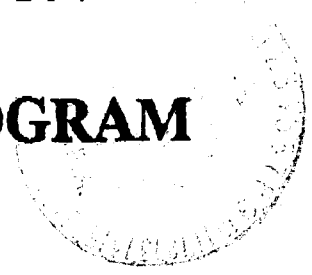
(WFP007462)

AWP-IL-00010038

FACSIMILE TRANSMISSION

MEDICAID PHARMACY PROGRAM

ADMINISTRATORS



DATE: September 27, 1995

TO:

Joe Hicks - Alabama
David Campana - Alaska
H. Belton P. Meyer - Arizona
Thelma Underwood - Arkansas
Mike Neff - California
Kim Gordon - Colorado
Elizabeth Geary - Connecticut
Cynthia Denmark - Delaware
Jerry Wells - Florida
Francis Lipscomb - Georgia
Lynn Donovan - Hawaii
Mary Wheatley - Idaho
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Caroline Sojourner - South Carolina
Bob Coolidge - South Dakota
Leo Sullivan - Tennessee
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Raedell Ashley - Utah
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David Shepherd - Virginia
Garth Holmes - Washington
Donna Bovell - Washington, DC
Mary Ann McNeil - West Virginia
Michael Boushon - Wisconsin
Steve Johnson - Wyoming

NUMBER OF PAGES INCLUDING COVER PAGE: 2

FROM: Kathy Berdusco
708-470-6614

CONTACT: Barbara Waggoner
708-470-3680

FAX #: 708-967-2093

COMMENTS: Please complete the attached survey from Robert Coolidge, South Dakota Medicaid, and

return by FAX 605/773-4855



DEPARTMENT OF SOCIAL SERVICES
OFFICE OF MEDICAL SERVICES
700 Governors Drive
Pierre, South Dakota 57501

DATE: 9-27-95
TO: Medicaid Pharmacy Administrators
FROM: Bob Coolidge, R.Ph.
South Dakota, Medicaid
REGARDING: Average Wholesale Price

Dear Medicaid Pharmacy Consultants:

I am requesting information regarding the relationship between AWP and pharmacy cost. If any states have information, I would appreciate your input. I am looking for your formula used for calculation of reimbursement and the relationship of AWP to the actual cost of the product.

Actual Pharmacy Acquisition Cost = AWP less _____ %

Reimbursement formula for the state of _____ = AWP less _____ % plus _____

*See Attached
pages*

Thanks for your timely assistance.

Please FAX to:

Robert Coolidge, R.Ph.
South Dakota Medicaid
NEW FAX NUMBER (605) 773-4855

*Thanks!
B.C.*



Robert W. Wright
Director

Illinois Department of Public Aid

Prescott E. Bloom Building
201 South Grand Avenue East
Springfield, Illinois 62763-0001

October 4, 1995

Robert Coolidge, R.Ph.
Department of Social Services
Office of Medical Services
700 Governors Drive
Pierre, South Dakota 57501

Dear Mr. Coolidge:

This is in response to your September 27, 1997 survey letter about AWP and actual costs. I thought I'd write a short book on the subject rather than fill in the blanks on your survey.

First, if you ever collect auditable data which factually answers your questions you'll be a rich man from the royalties. None of the entities who sell drugs are going to easily make the information available and you really can't get it from pharmacy invoices because of all the volume incentives and rebates subsequently paid. Additionally, some products don't even go through wholesalers and instead are sold directly. In other cases, a large national chain may buy direct from the manufacturer (regardless of what the local sales person may tell you) while all the community pharmacies must purchase through some wholesaler.

I understand from reliable industry sources that "on average" retail pharmacies are buying at approximately AWP minus 17% with some drugs a little more and some a little less. However, the national chains are likely buying at least some of the same stuff at AWP minus 25% or more. Further, the closes pharmacies in your state who serve only nursing homes, are probably buying many products at AWP minus 30% or more.

Our formula for maximum reimbursement is:

Single Source Products--AWP minus 10% plus a dispensing fee of \$3.58 (minus \$0.28) or 10% of the AWP minus 10% up to a maximum of \$15.00 (minus \$0.28) with the 28% reduction being a cost cutting step negotiated this last legislative session.

Multiple Source Products--the lower of AWP minus 12%, the Federal Upper Limit, or the State Upper Limit plus a dispensing fee of \$3.58 or 10% of the amount determined above up to a maximum of \$15.00. For multiple source drugs, the savings initiative was the addition of the AWP minus 12% step.

AWP-IL-00010041

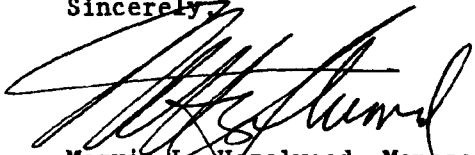
Robert Coolidge, R. Ph., South Dakota Medicaid (continued)
October 4, 1995
Page 2

If you're looking for a way to cut reimbursement, don't look at returning to actual acquisition cost because you'll end up with nothing but negative audit findings because you were wrong with the acquisition cost numbers you used (actual acquisition cost is really not known for as long as 12 months after the store purchased the drugs). If you're looking for something to use in "attesting" to your reimbursement methodology for your State Plan, you're better off just "attesting" and letting it go at that.

If I could implement the reimbursement I wanted, for single source drugs it would be AWP minus 13% (that's about the average HMO's pay) plus a dispensing fee of \$2.75 (about 25¢ more than the average HMO dispensing fee). For multiple source drugs I would make extensive use of State Upper Limits as neither the FUL or AWP mean anything for generic drugs. I would also set up an entirely different reimbursement for closed pharmacies serving only nursing homes. In the end these things end up being negotiated with the pharmacy industry so make sure your bases are covered before you start.

Feel free to call me if you have any questions after reviewing all your responses. I'm at (217) 524-7143. You will usually have to leave word with my secretary, Sandy, and I'll get back to you.

Sincerely,

A handwritten signature in black ink, appearing to read 'Marvin E. Hazelwood', written over a horizontal line.

Marvin E. Hazelwood, Manager
Pharmacy and Ancillary Services Programs

file-7/8907

AWP-IL-00010042